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David L. Meier
Director
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November 19, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, DC 20554

RE: Oral Ex Parte Presentation
CC Docket No. 96-98, Implementation of the Local
Competition Provisions in the Telecommunications Act of 1996

Dear Mr. Caton:

Earlier today Mike Benson, Senior Product Manager and the undersigned met with Michael Carowitz, Legal Advisor Enforcement Division and Robert Spangler, Deputy Chief Enforcement Division of the Common Carrier Bureau to discuss various administrative issues surrounding the implementation of CC Docket 96-128. The attached material was used to facilitate discussion at the meeting.

The original and one copy of this Notice are being submitted in accordance with Section 1.1206(a)(2) of the Commission's Rules. Please date stamp this copy as acknowledgment of its receipt. Questions regarding this Notice may be directed to me at 513-397-1393.

Sincerely yours

David L. Meier

cc: Robert Spangler
Michael Carowitz

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2 Originals 15

Administrative Issues Surrounding Dial Around Compensation -- CC 96-128

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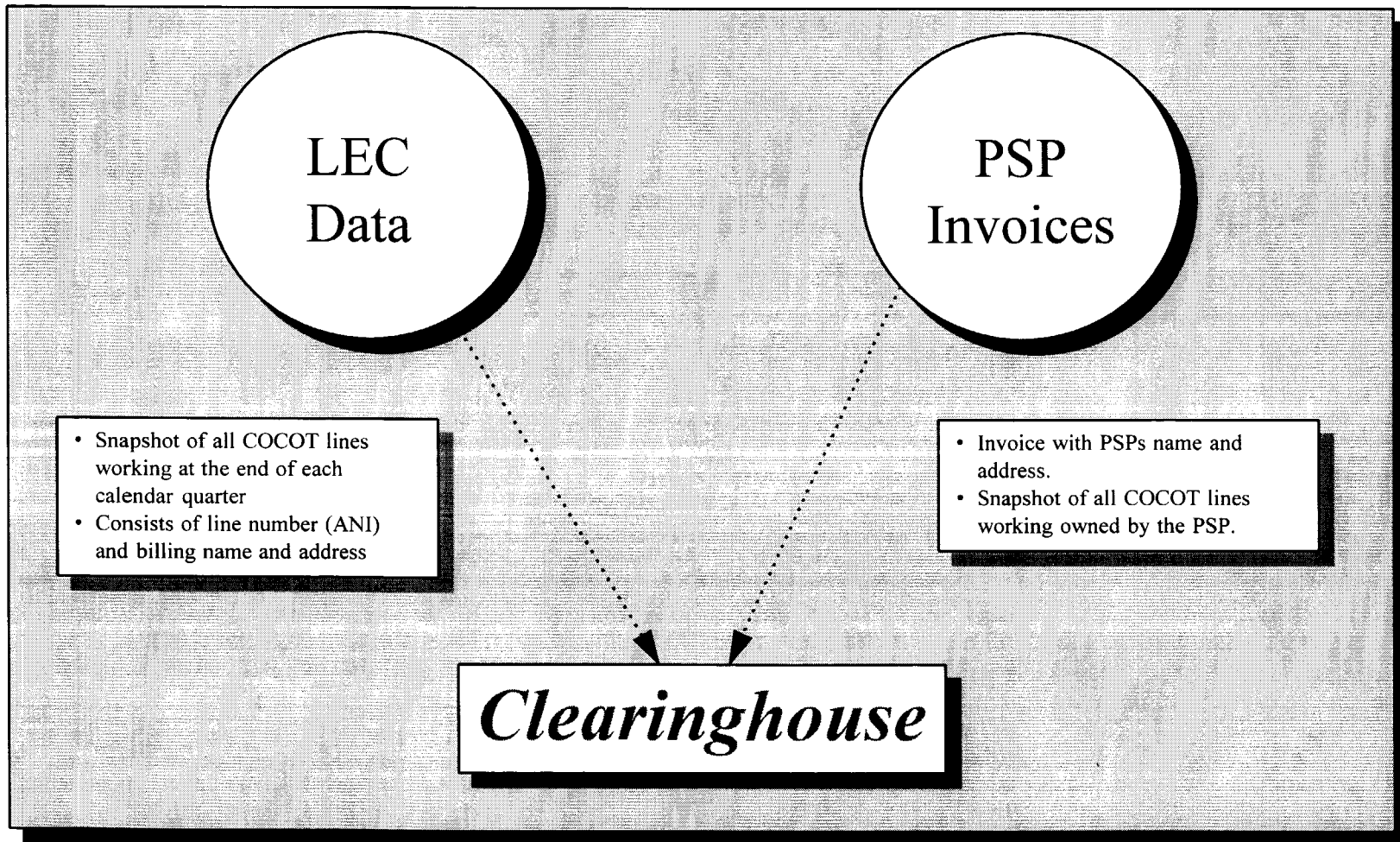
FEDERAL COMMUNICATIONS COMMISSION
U.S. DEPT. OF COMMERCE

Mike Benson
Cincinnati Bell Telephone

Presentation Overview

- ✧ **THE CLEARINGHOUSE**
- ✧ **THE COMPARISON PROCESS**
- ✧ **ACTIONS TAKEN UPON THESE PRODUCTS DATA**
- ✧ **CURRENT CLEARINGHOUSE OPERATIONS**
- ✧ **PROVISIONS OF THE FCC ORDER AFFECTING CHANGES**
- ✧ **THE SEGMENT OF CLAIMS AFFECTED BY THESE RULES**
- ✧ **CHARACTERISTICS OF THE SEGMENT**
- ✧ **NON-REPORTED ANIs WHERE LECs PROVIDE QUARTERLY LIST**
- ✧ **REASONS FOR NO LEC DATA**
- ✧ **RESULTS OF THE PROACTIVE LEC RESOLUTION PROJECT**
- ✧ **IMPLICATIONS OF THE FCC's RULES CHANGES**
- ✧ **ISSUES SURROUNDING THE CHANGES**
- ✧ **CLEARINGHOUSE RECOMMENDATIONS**

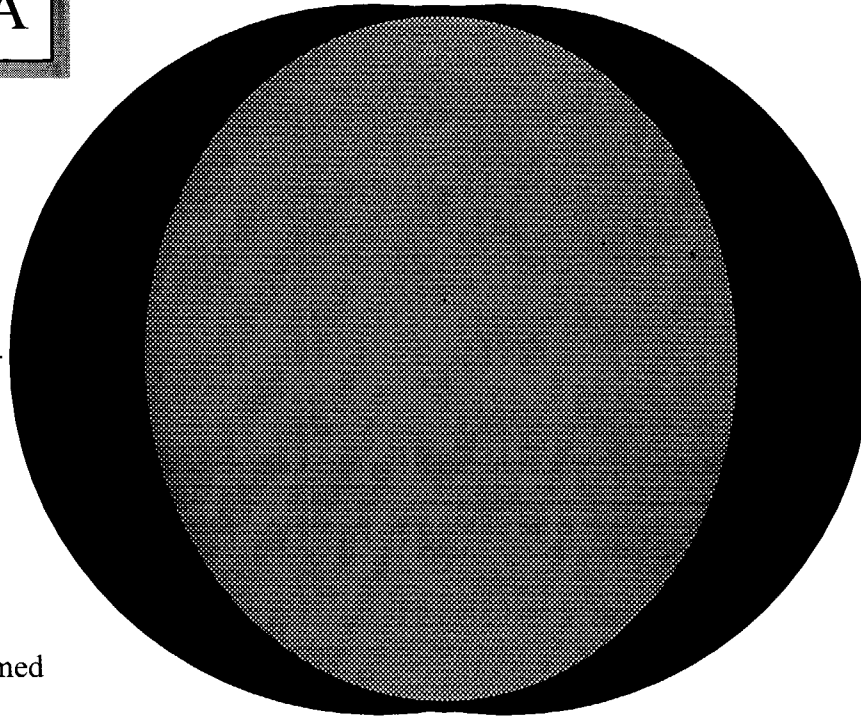
The Clearinghouse



The Comparison Process

LEC DATA

PSP DATA

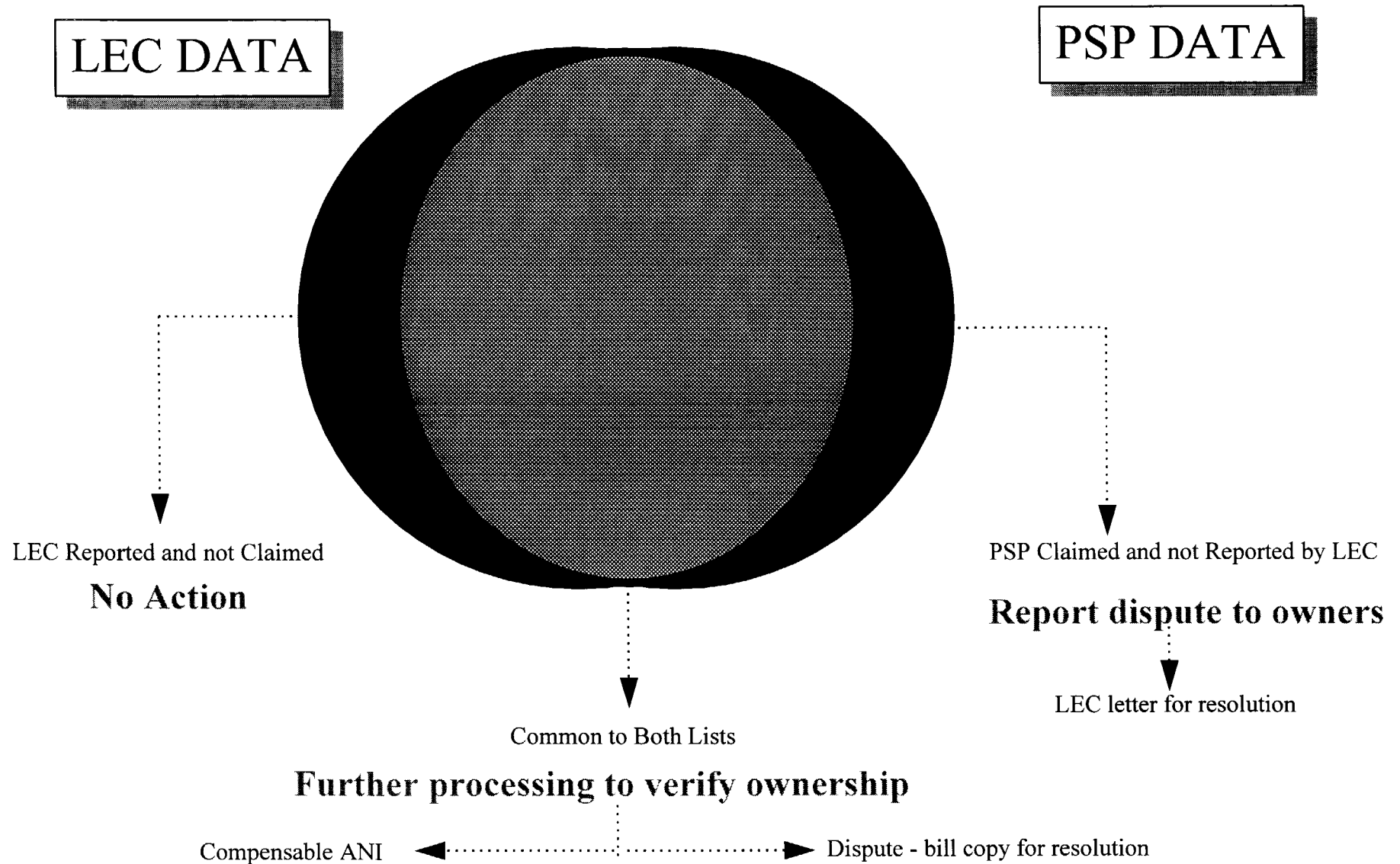


LEC Reported and not Claimed

PSP Claimed and not Reported by LEC

Common to Both Lists

Clearinghouse Actions Taken Upon Products of the Comparison Process



Current Clearinghouse Operations

Flat Rate Compensation Business Rules

- *LEC and PSP take “snapshot” of all working payphone lines (ANIs) at the end of the quarter*
- *All ANIs working at the end of the quarter receive **FULL 3 months compensation***
- *All ANIs disconnected prior to the end of the quarter receive **NO COMPENSATION***

Rationale for Business Rules

- *Process based upon timely and accurate data provided by LEC*
- *Administrative burden on LECs and IXC too great to pay on a prorated basis*
- *Balancing effect*
- *Business rules published - allows PSPs to make an informed decision on when to connect/disconnect ANIs*

Current Clearinghouse Operations

Per-Call Compensation Business Rules

- *Still based upon the LEC and PSP “snapshot”*
- *All ANIs working at the end of the quarter receive compensation based upon actual number of calls*
- *All ANIs disconnected prior to the end of the quarter compensated through the “one quarter look-back process”*

Rationale for Business Rules

- *Administrative burden on LECs and IXC remains manageable through existing process*
- *Balancing effect no longer true*
- *Business rules published - allows PSPs to make an informed decision on when to connect/disconnect ANIs*

Current Clearinghouse Operations

Dispute Resolution Issues

- *Dispute resolution is the responsibility of the PSP to pursue (LEC letters for unreported ANIs, bill copies for duplicate claims and billing name and address mismatches).*
- *The Clearinghouse will facilitate the resolution process where LECs pro-actively seek to resolve disputes (Nashville 1995).*
- *The Clearinghouse will limit disputes where possible (area code split processing, pro-actively contact LECs who have not submitted verification lists).*

Rationale for Business Rules

- *IF the LEC provides their quarterly list, the IXC is not obligated to pay compensation for those phones not appearing on the list.*
- *Incentivizes the PSP to submit accurate claims or face the issue of cleaning up improperly submitted disputes.*
- *Limits the administrative burden of the carrier-payor in trying to resolve compensation issues on behalf of PSPs.*

Provisions of the FCC Order Which May Affect the Process

Paragraph 113

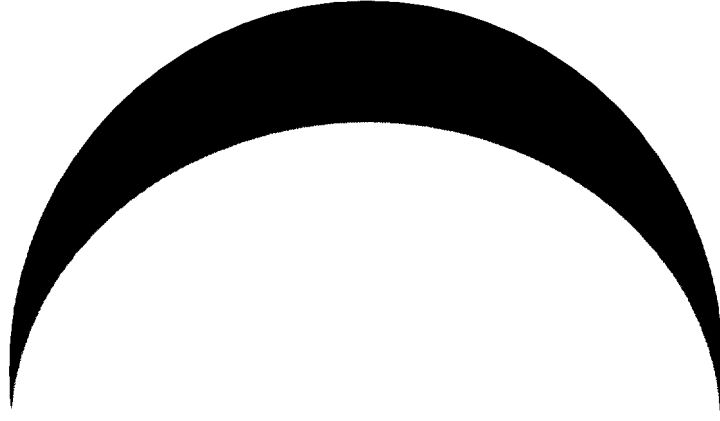
“Third, once a LEC makes a positive identification of an installed payphone, the carrier-payor must accept claims for that payphone’s ANI until the LEC provides information, on a timely basis, that the payphone has been disconnected.”

“Fourth, a LEC must respond to all requests for ANI verification, even if the verification is a negative response.”

Paragraph 116

“We conclude that LECs who have knowledge that a particular phone line is used for a payphone, must indicate on that payphone’s monthly bill that the amount due is for payphone service.”

Claims Addressed in the FCC Order



PSP Claimed and not Reported by LEC

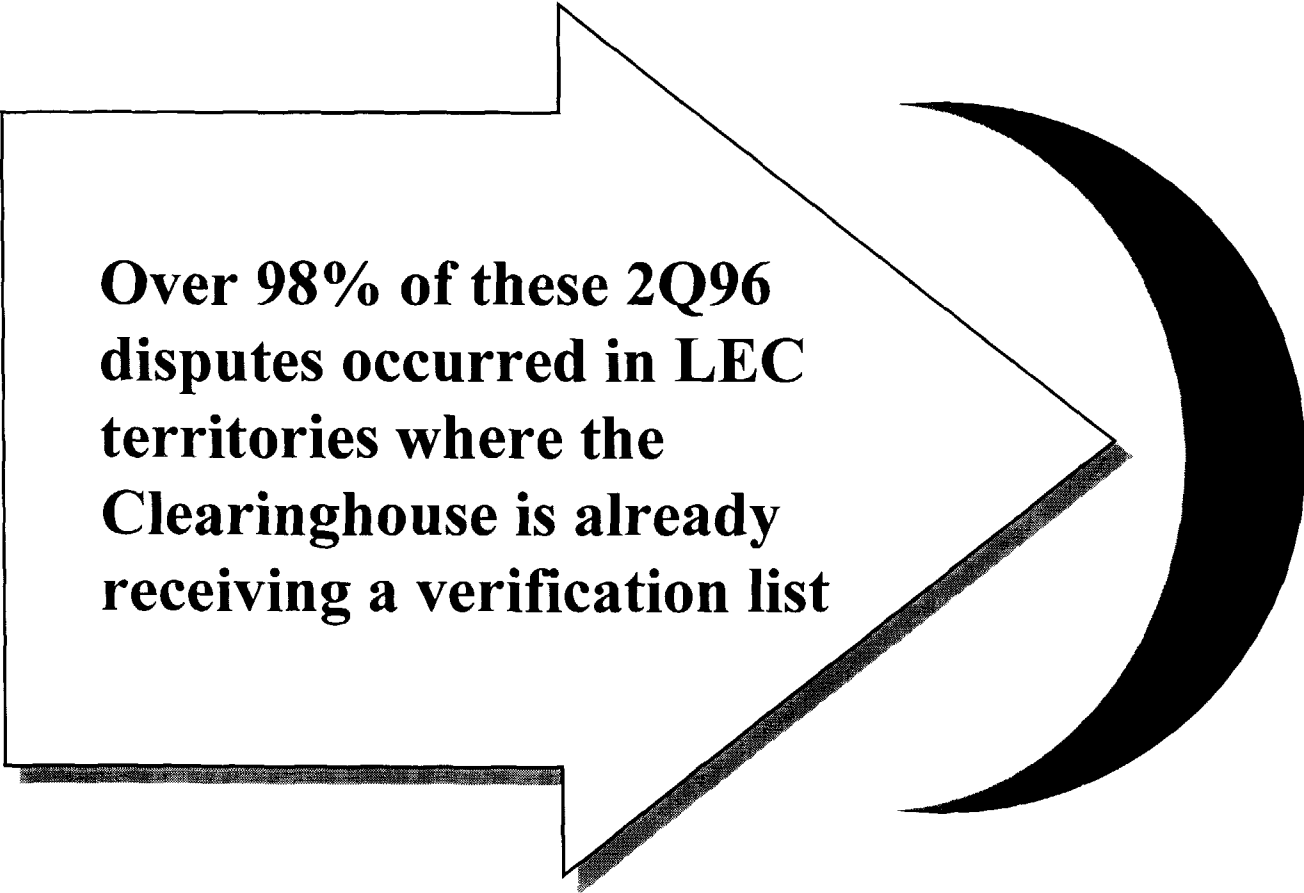
Characteristics of the Segment



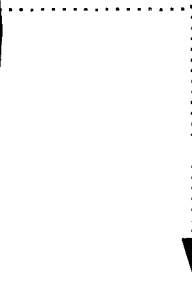
**Represented only 8.9% of
2Q96 claims received by
the Clearinghouse.**

PSP Claimed and not Reported by LEC

Characteristics of the Segment



**Over 98% of these 2Q96
disputes occurred in LEC
territories where the
Clearinghouse is already
receiving a verification list**



PSP Claimed and not Reported by LEC

If LEC provides quarterly list, why does this segment of disputes occur?

⇒ ANI disconnected prior to the end of the calendar quarter

⇒ Area code splits

⇒ LEC error

⇒ PSP error

PSP Claimed and not Reported by LEC

Existing processes and procedures account for these reasons

⇒ **ANI disconnected prior to the end of the calendar quarter**

⇒ Area code splits

⇒ LEC error

⇒ PSP error

PSP Claimed and not Reported by LEC

Per Station business rules - Balancing effect eliminates this as a valid claim

Per Call business rules - One quarter look-back procedure paid an additional 17.9% of the non-reported ANIs. This reduced the 2Q96 non-reported ANIs to 7.3%.

Existing processes and procedures account for these reasons

⇒ ANI disconnected prior to the end of the calendar quarter

⇒ **Area code splits**

⇒ LEC error

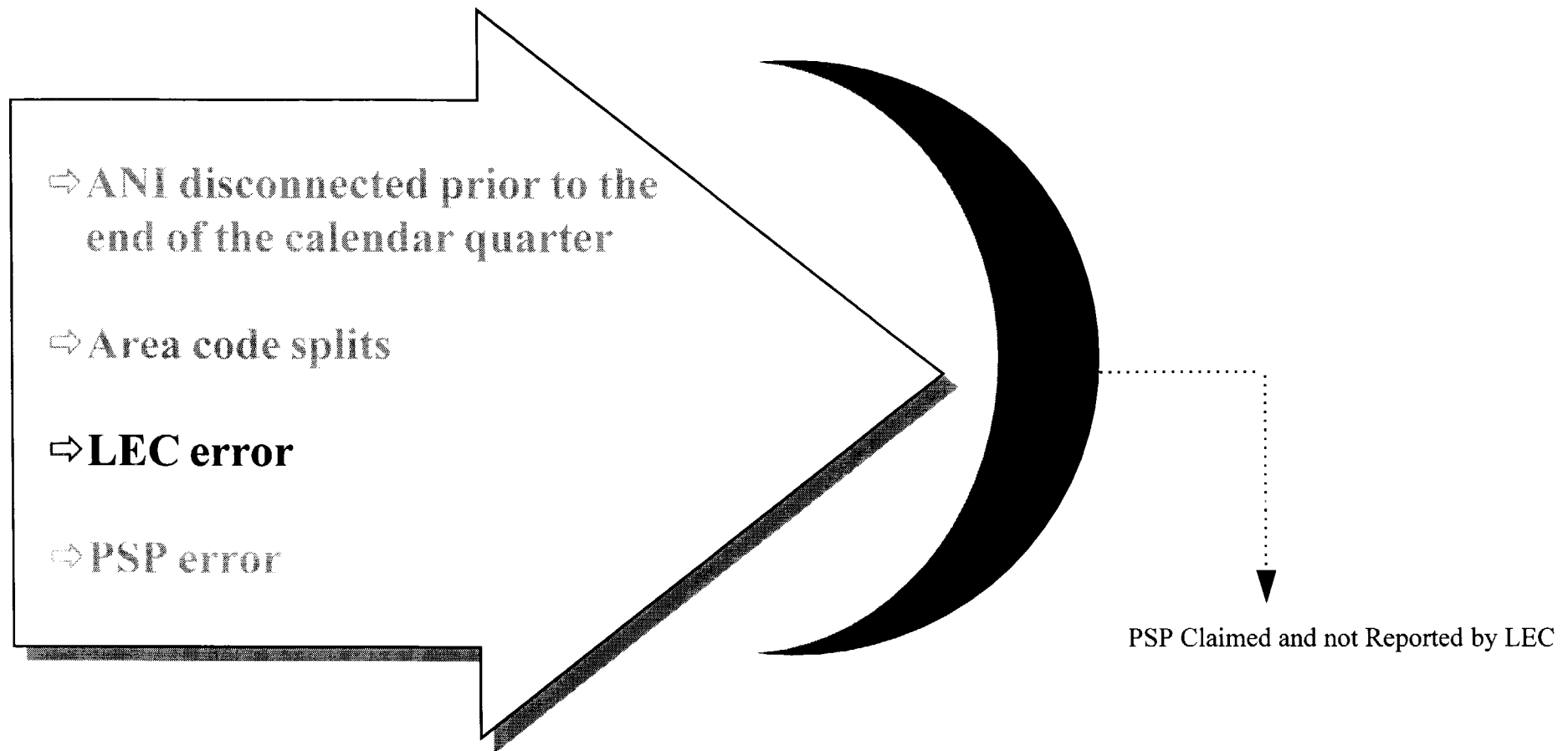
⇒ PSP error

PSP Claimed and not Reported by LEC

Clearinghouse Activities

- *Send Area Code split schedules to the PSP.*
- *Mark suspected area code split problems with special indicator to facilitate re-submission by PSP.*

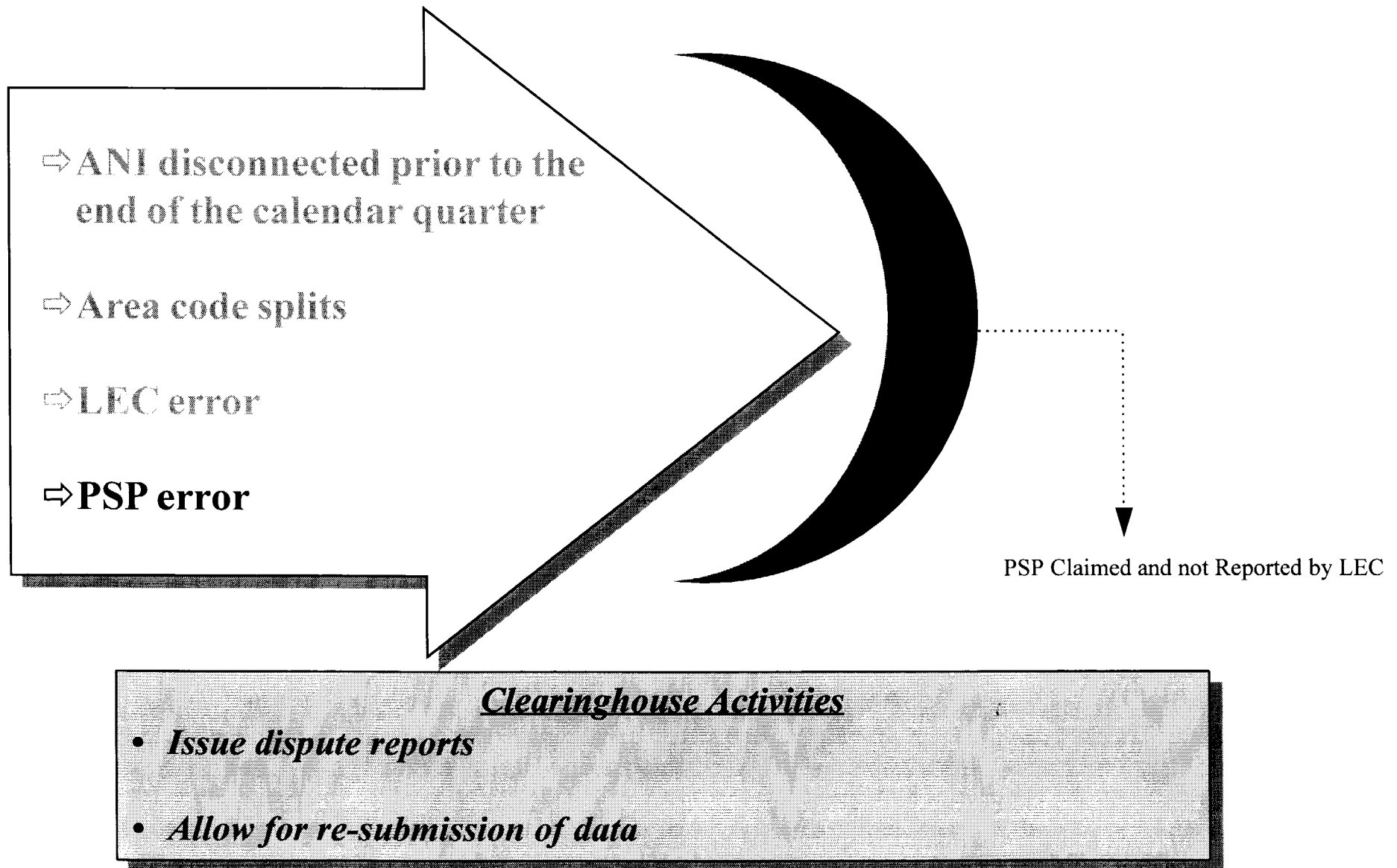
Existing processes and procedures account for these reasons



Clearinghouse Activities

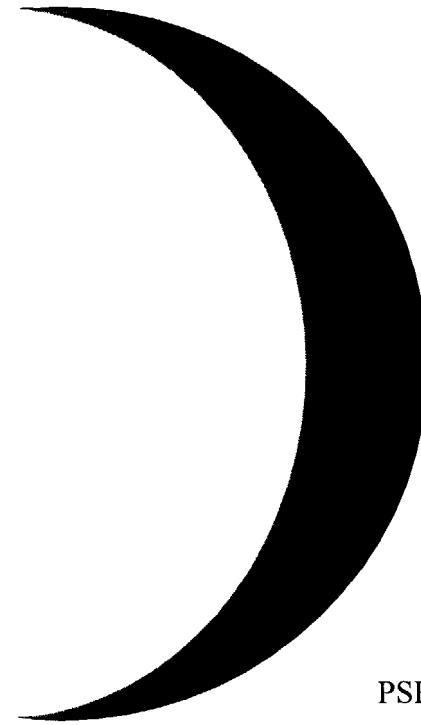
- *Contact LEC where large “holes” in verification lists detected.*
- *Use existing procedures for dispute resolution (reactive or proactive)*

Existing processes and procedures account for these reasons



Results of the Proactive LEC Resolution Project

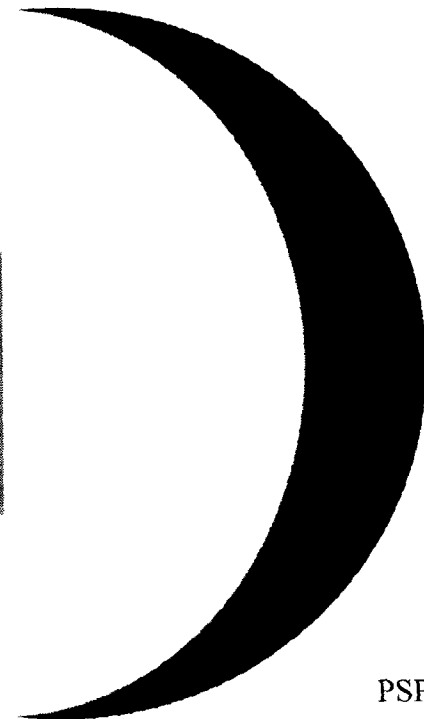
- ⇒ Sprint Local - 10% of the unreported ANI disputes were resolved to pay
- ⇒ Bell South - 18% of the unreported ANI disputes were resolved ~~to~~ to pay.
- ⇒ Ameritech data just received
- ⇒ Many LECs attending the 1995 Nashville meeting cited an inability to comply with the requests due to resource constraints.



PSP Claimed and not Reported by LEC

If the responding LEC results hold true to the rest of the industry...

<u>Claims category:</u>	<u>Sample Quarter</u>	<u>Percentage of Claims</u>
Claims Received		100.0%
Claims not on LEC lists		8.9
Remove early disconnects		7.3
Using a LEC resolution rate of 20%		1.5



PSP Claimed and not Reported by LEC

Only 1.5% of the total claims may truly benefit from the potential rules changes.

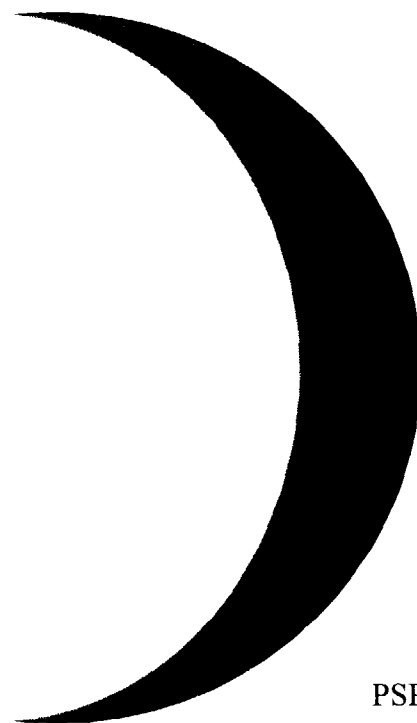
The Clearinghouse's Major Area of Concern

What constitutes acceptable verification by the LEC that an ANI has been disconnected?

- ⇒ An actual disconnect list?
- ⇒ Omission from the quarterly "snapshot"?

Implications if Disconnect Information is Required before Claims can be Disputed

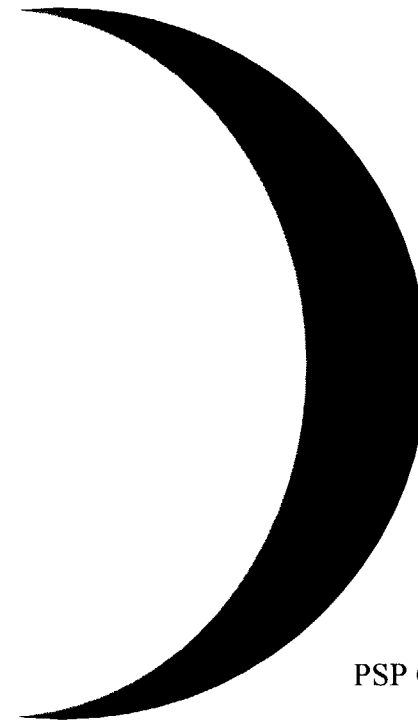
- ⇒ Carrier-payors must establish a process with each LEC where PSP claims not reported by the LEC are **resolved during the current processing quarter or face serious exposure improper payment.**
- ⇒ The process described above would be expensive and require compression of a process which already has minimal room for error.
- ⇒ The average number of ANIs paid through the “one quarter look back process” is approximately 7,000 per quarter. At \$45.85 per phone per month, **\$3.8 million** in inappropriate compensation will be issued in 1997 if the above process is not implemented immediately.



PSP Claimed and not Reported by LEC

Issues Surrounding the rules changes

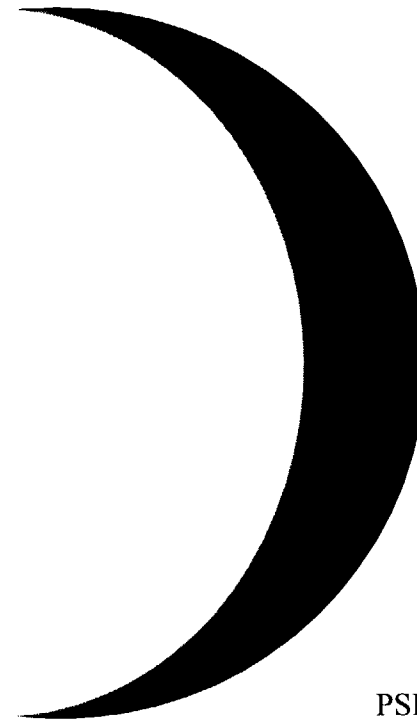
- ⇒ Does the small number of disputes resolved warrant mandating extensive, costly changes to existing processes and procedures?
- ⇒ Should Carrier-payors incur the fraud potential created by the “pay till you receive disconnect information” when LEC resolution reaffirms the accuracy of the quarterly snapshot?
- ⇒ In light of LEC data accuracy and the inherent fraud potential, should alternative verification methods intimated in the order be considered?
- ⇒ Should LECs and Carrier-payors incur the costs associated with improperly submitted claims?
- ⇒ Where is the incentive for PSPs to submit accurate information?



PSP Claimed and not Reported by LEC

Clearinghouse Recommendations

- ⇒ Allow omission from the LEC list to serve as confirmation of an ANI being disconnected through phase one of the new dial around compensation process.
- ⇒ Do not require use of the phone bill as an alternative to LEC letters for dispute resolution.
- ⇒ Consider action to minimize improperly submitted claims.



PSP Claimed and not Reported by LEC